

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – AUGUST 30, 2006

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Randall Avery, Deputy Chief of Enforcement; Howard Roundy, Director of Information Technology; Kathleen McCabe, Director of Purchasing; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Steven Slovenski, Legal Counsel. **Guests:** Al Picconi, Southern Wine & Spirits of N.E., Inc.

EXCUSED: Evie Taft, Human Resources Administrator.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Year-to-Date Sales Reports:

Total sales for the week ending August 27, 2006 increased by 6.46% or \$557,722 for the weekly comparison, and also increased year-to-date by 4.91% or \$3,555,550.

B. Budget/Administrative Reports:

The Bureau Chiefs met last week with Howard and representatives from OIT to review web restrictions. They will meet again this morning to put together a recommendation to be presented to the Commission. The plan will include blocking sites that employees should not be entering into.

Evie and Craig attended a seminar by Sarah Willingham regarding SEA contract negotiations. They expect to start the sub-unit contract early this fall, to be completed before the master contract. Any recommendations regarding this may be brought before the Commission.

George reported that the Commission will surpass the revenue estimate of \$12.4 million.

The current W-6 Expense Budget Activity Variance Report shows the year to be at about 16.4% expired, with around 13.8% of the budget expended. The only concern right now is benefits, which will run about \$122,000 short this year. These projections have been sent to Administrative Services. George said this appears to be a statewide issue.

2. IT Report

Howard had just returned from a meeting on the EFE interface. He said he feels there is a lot more work which has to be done between IT and Accounting, and that the plan is to get away from custom accounting programs.

There have been no problems lately involving the new on-line allowance program.

Good progress is being made on the lease contract for IT equipment. OIT will be meeting with Steve Slovenski on Friday to wrap up the contract, and there will also be an alternate offering for the Attorney General's Office.

New price lists are available as of today for licensees to input into their data bases.

3. Human Resources Report: No report

II. MARKETING & SALES REPORTS

1. Store Operations

Total retail sales for the week ending 8/27/06 increased by 6.49% or \$446,292.88.

The maintenance crew is now doing demolition work at the new site for Store #35 Hillsboro, which will be ready to open in late September.

The lease for the additional Nashua store was received back from the Attorney General's Office. Opening is estimated to be late October.

2. Purchasing Report

Kathy distributed the latest warehouse out-of-stock reports. She reported that the 1.75L size of Grey Goose Vodka came in on Monday. However, the orange Grey Goose has not yet arrived due to tropical storm Ernesto.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

- a. Test Market Request (Jacques Cardin VSOP & Apple Cognac):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Sidney Frank Importing Co. for new test market listings for Jacques Cardin VSOP Cognac, 750ML size (assigned new Code #4623) and Jacques Cardin VSOP Apple Cognac, 750ML size (assigned new Code #4622), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Test Market Request (Vikingfjord Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Southern Wine & Spirits of N.E., Inc./Capstone International for a new test market listing for Vikingfjord Vodka, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. Test Market Request (H.W. Peppermint Schnapps):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission table a request from Southern Wine & Spirits of N.E., Inc./Pernod Ricard for a new test market listing for Hiram Walker Peppermint Schnapps, 750ML size, pending further negotiations regarding pricing. The motion was unanimously adopted.

- d. Test Market Result (Code #3508):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant a three-month extension of the test market period for Code #3508, Ciroc Vodka, 375ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) October 2006 Spirit E-Coupons:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the October 2006 e-mail coupon list, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) One Time Buy Requests:

a. Baileys Mint Chocolate and Baileys Caramel:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Southern Wine & Spirits of N.E., Inc./Diageo North America for the Commission to make a one-time purchase of Baileys Mint Chocolate and Baileys Caramel, 50ML sizes, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 5 High End Single Malt Scotches:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Southern Wine & Spirits of N.E., Inc./Speyside Imports for the Commission to make one-time purchases of the following five 750ML size high end single malt scotches, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Glenlivet 1977, Royal Brackla 1976, Bruichladdich 1990, Bunnahabhain 1988 and North of Scotland 1964 The motion was unanimously adopted.

4) Gosling Rum Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./MHW/Castle Brands to conduct a sweepstakes promotion during September, October and November 2006 featuring Gosling Rums, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) October Special Offers:

a. 10 electronic offers – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers submitted electronically by Executive Wine & Spirits, based upon depletions for ten (10) spirit items, to be featured on sale during October 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 218 electronic offers – Southern Wine & Spirits of N.E.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers submitted electronically by Southern Wine & Spirits of N.E., based upon depletions for two hundred eighteen (218) spirit items, to be featured on sale during October 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

- 1) November 3-Day Wine Sale “72 Hours of Madness”:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a “72 Hours of Madness” wine sale to take place November 24, 25 and 26, 2006 whereby a consumer will receive a 20% discount on the purchase of 12 or more bottles of 750ML size wines, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) December Wine Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the December Wine Sale scheduled for November 27 through January 2, 2006 featuring a 10% discount on still wines only in 750ML sizes and a 10% discount on 750ML size ports and sherries, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Columbus Day Sale:

- a. 3 electronic offers – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers submitted electronically by Horizon Beverage Company, based upon depletions for three (3) wine items, to be featured during the Columbus Day Sale, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 1 electronic offer – Southern Wine & Spirits of N.E.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer submitted electronically by Southern Wine & Spirits of N.E., Inc., based upon depletions for one (1) wine item, to be featured during the Columbus Day Sale, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) October Special Offers:

- a. 7 electronic offers – Charles Zoulias:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers submitted electronically by Charles Zoulias, based upon depletions for seven (7) wine items, to be featured during October 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 42 electronic offers – M.S. Walker:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers submitted electronically by M.S. Walker NH, based upon depletions for forty-two (42) wine items, to be featured during October 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 15 electronic offers – Pine State Trading Co./E&J Gallo:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers submitted electronically by Pine State Trading Co./E&J Gallo Winery, based upon depletions for fifteen (15) wine items, to be featured during October 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 8 electronic offers – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers submitted

electronically by R.P. Imports, based upon depletions for eight (8) wine items, to be featured during October 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 19 electronic offers – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers submitted electronically by Horizon Beverage Company, based upon depletions for nineteen (19) wine items, to be featured during October 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) Results of the Purchase & Display of Banrock:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission, as a result of the purchase and display of four Banrock wine products, place absolutes of Code #39870, Banrock Chardonnay in those stores that provided 85% of the bottles sold during the test period, but delist from retail and mark down Code #39872, Banrock Shiraz, Code #43467, Banrock Cabernet Sauvignon and Code #43468, Banrock Merlot for failure to achieve gross profit requirements at the conclusion of the test period, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 6) Store Tastings:

- a. 3 Red Diamond wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc. to conduct in-store tastings on September 22, 2006 featuring three Red Diamond wine products in six designated stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 6 F & F Imports wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from F & F Imports

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Inc. to conduct in-store tastings on October 12, 2006 featuring six Italian wine products in two designated stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Allocated Wines for Distribution to Selected Stores (3 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve three (3) allocated wine items for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Recommended Allocated Wines (Absolutes) for Distribution to Selected Stores (13 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve thirteen (13) allocated wine items (absolutes) for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Primary Source Submissions (5 primary source; 2 exclusive agent; 12 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of five (5) wine items which are from primary source, two (2) wine items which are offered by the exclusive marketing agent and twelve (12) wine items which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – No report.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated August 24 through August 30, 2006. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests for the month of September 2006.

3. Late Items/Other:

a. October Special Offers (33 electronic items – Executive Wine & Spirits):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers submitted electronically from Executive Wine & Spirits, based upon depletions for thirty-three (33) wine items, to be featured on sale during October 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. October Special Offers (95 electronic items – Martignetti Co. of NH):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers submitted electronically from Martignetti Companies of N.H., based upon depletions for ninety-five (95) wine items, to be featured on sale during October 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. October Special Offers (121 electronic items – SWSNE):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers submitted electronically from Southern Wine & Spirits of N.E., Inc., based upon depletions for one hundred twenty-one (121) wine items, to be featured on sale during October 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

V. EXECUTIVE SESSION

The meeting was adjourned at 1:15 p.m., and the Commission went into non-public session to discuss personnel and store location items.

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Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford